

Message Text

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PAGE 01 NEW DE 07311 091943Z
ACTION NEA-11

INFO OCT-01 ISO-00 DEAE-00 CIAE-00 INR-10 IO-13
JUSE-00 NSAE-00 CTME-00 SNM-05 TRSE-00 ICA-11
NSC-05 OES-07 OMB-01 HEW-04 L-03 STR-07 H-01
PA-01 SS-15 /095 W
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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1491
INFO USDOC WASHDC
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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E.O. 11652: N/A
TAGS: EINV
SUBJECT: IMPLEMENTATIONGOI DRUG POLICY

REF: NEW DELHI 7310

1. GENERAL VIEW OF US DRUG REPS CONCERNING NEW GOI DRUG POLICY HAVE BEEN OUTLINED IN REFTEL. RESPONSES TO SPECIFIC QUESTIONS RECENTLY RECEIVED FROM NEA/INS ARE GIVEN BELOW:
(A) "HIGH TECHNOLOGY" IN DRUG INDUSTRY WILL BE DEFINED, PERHAPS ARBITRARILY AND WITHOUT OBJECTIVITY, BY HIGH LEVEL GOI COMMITTEE OF WHICH NO MORE IS NOW KNOWN THAN WHEN DRUG POLICY TABLED. DRUG REPS CHARACTERIZE DECISION TO APPOINT SUCH COMMITTEE AS "MISCHIEVOUS", SINCE ALL PROPOSED DRUG INVESTMENT WAS SCRUTINIZED BY GOI BEFORE DECISION MADE TO SANCTION ORIGINAL INVESTMENT. REVIEW OF HIGH LEVEL COMMITTEE HAS CHARACTERISTIC OF "DOUBLE JEOPARDY".
(B) R&D EXPENDITURE REQUIREMENT IS INDEED A WORRY FOR US DRUG INDUSTRY IN INDIA. PRESENT LEVEL OF PROFITABILITY
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IS AROUND 6 O/O OF SALES. ACCORDING TO NEW DRUG POLICY (AFTER INITIAL ONE-TIME EXPENDITURE OF 20 O/O NET FIXED ASSETS) 4 O/O OF TURN-OVER MUST BE SPENT ANNUALLY ON R&D. AN ADDITIONAL 1 O/O CESS WILL BE LEVIED ON ALL INDUSTRY FOR R&D, BRINGING TOTAL TO 5 O/O AND REDUCING PROFITS TO ALMOST ZERO.
(C) GOI SCENARIO FOR IMPLEMENTATION OF DRUG POLICY DOES NOT REQUIRE LOK SABHA DEBATE AND APPROVAL. NOW THAT POLICY

HAS BEEN TABLED BEFORE LOK SABHA, IMPLEMENTATION WILL BE
EFFECTED THROUGH AMENDMENT OF DRUG PRICE CONTROL ORDER
AND OTHER REGULATIONS. IN VIEW OBJECTIONS DRUG REPS,
HOWEVER, DELAY IN IMPLEMENTATION SOME ASPECTS DRUG POLICY
WAS IMPLIED BY SECY KRISHNASWAMI DURING RECENT MEETINGS WITH
DRUG REPS.
GOHEEN

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Message Attributes

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